

CONTRACT REVIEW

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Objective

- After completing this chapter, you will be able to:
 - Explain two contract review stages
 - List the objective of each stage of the contract review
 - Identify the factor that affect the extent of the review
 - Identify the difficulties in performing a major contract review

Importance of contract

- From the view point of SQA, a bad contract are:
 - Characterized by loosely defined requirement.
 - Unrealistic budget
 - Unrealistic schedules
- These factors will lead to low quality software.

Process and Stages

Several situations can lead company to sign a contract with a customer. Most common are:

1. Participation in a tender
2. Submission of a proposal according to the customer's RFP
3. Receipt of an order from company's customer
4. Receipt of an internal request or order from another department

Review Process

1. Stage One – Review the proposal draft before submission to the potential customer (“proposal draft review”).
 - Include customer requirement document, customer additional details, cost and resources estimates, existing contracts.
 2. Stage Two – Review of contract draft before signing (“contract draft review”).
 - Review the contract draft on the basis of the proposal and the understanding reached during contract negotiations sessions.
- The process of review can begin once the relevant draft document has been completed.
 - A check list is very helpful for assuring the full coverage of relevant subjects.

Proposal Draft Review

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Contract Draft Review



Contract Review

Why Contract Draft Review

- Why developer needs to perform contract draft review??
 - Negotiations held between the supplier and the potential client after a proposal was submitted and before signing a contract are quite common. In many cases, the negotiations are not only limited about the cost of the project or payment schedule but deal with changes and adaptations of requirements as well. In these situations, the contract draft review yields an additional independent evaluation of these changes, which may reveal undesirable consequences.

Why Contract Draft Review

- Even changes regarding bonus and penalty paragraphs which seem a financial issue may benefit from a contract draft review that would evaluate the prospect of the bonus and penalty situations.
- In cases where a substantial period of time has elapsed/delay between the submission of proposal and the contract signing, the supplier may expect meaningful changes on his side. Changes may refer mainly to development risks, to the company's capacity to perform the project, to the customer's capacity to fulfill his commitments and to subcontractors' commitments. A contract draft review in a situation of this nature is highly recommended.

Is there any situation contract draft review is not needed??

- Yes
 - A contract draft review was part of the client's request for proposal.
 - There were no client-supplier negotiations held after the proposal had been submitted.
 - The contract was signed shortly after the proposal was submitted.

Proposal draft review objectives

- Proposal draft review objectives
 1. Customer requirement have been clarified and documented.
 2. Alternative approaches for carrying out the project have been examined.
 3. Formal aspects of the relationship between the customer and the software firm has been specified.
 4. Identification of development risk
 5. Adequate estimation of project resources and timetable.
 6. Examination of the company capacity with respect to the project
 7. Examination of the customer capacity to meet his commitments
 8. Definition of partner and subcontractor participation
 9. Definition and protection of proprietary rights

Contract draft review objectives

- The objective of contract draft review are to make sure that the following activities have been performed:
 1. No unclarified issues remain in the contract draft
 2. All the understanding reached between customer and the firm are correctly documented in the contract.
 3. No new changes or additions have entered the contract draft.

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- Contract reviews process is depending on the characteristics of the proposed project.

Factors affecting the extent of contract review

- The most important project factors determining the extent of the contract review are:
 1. Project magnitude (usually measured in man-month)
 2. Project technical complexity.
 3. Degree of staff knowledge and experience in the project area.
 4. Project organizational complexity.
- We may assume that simple contract review will be carried out by one reviewer, who will focus little time in his review.
- However large scale contract review may require the participant of a team to examine a wide range of subject.

Who perform contract review?

- The leader or another member of the proposal team
- The members of the proposal team
- An outside professional or a company staff member who is not a member of the proposal team
- A team of outside experts – in the case of inadequate internal staff

Contract review for major proposal

- Major proposal is for projects characterized by at least:
 1. Very large-scale project
 2. Very high technical complexity
 3. New professional area for the company
 4. High organizational complexity

The difficulties of carrying out contract review for major proposal

- Time pressure
 - Usually need to be performed within a short time
- Proper contract review may requires substantial professional
 - Need to invest of substantial professional expertise (involve with factor time and also the budget)
- The potential contract review team members are very busy.
 - The potential member of the contract review team are often senior staff members who usually committed to performing their regular task.

Recommended step for implementing major contract review

The careful planning of contract and steps are required for successful project. The steps are:

1. The contract review should be scheduled.
2. A team should carry out the contract review.
3. A contract review team leader should be appointed.
 1. The task for team leader are:
 1. Recruitment of the members
 2. Distribution of review task among members
 3. Coordination between review team and proposal team
 4. Coordination between members of the review team
 5. Follow-up the activities and make sure compliance with the schedule
 6. Summarization of the findings and their delivery to the proposal team

Contract review for internal project

- Internal software development projects are not based on what would be considered a complete customer-supplier relationship.
- In many case these project are based on general agreement. It follows that the developing unit will perform only a short and mild contract review or maybe none at all!.
- We call this as loose relationship

Table 5.1: Typical internal projects and their in-house customers

Type of internal project	The in-house customers	Project examples
(1) Administrative or operative software to be applied internally	Administration and operating units	<ul style="list-style-type: none">■ Sales and inventory systems■ Financial resource management systems■ Human resource management systems
(2) Software packages originally intended to be sold to the public as "off-the-shelf" packages	Software marketing department	<ul style="list-style-type: none">■ Computer games■ Educational software■ Word processors■ Sales and inventory management software packages
(3) Firmware to be embedded in the company's products	Electronic and mechanical product development departments	<ul style="list-style-type: none">■ Electronic instrumentation and control products■ Household amusement equipment and machinery■ Advanced toys

Contract review for internal project

- As a result, the following problem will arise:
 1. Inadequate definition of project requirements.
 2. Poor estimates of required resources.
 3. Poor timetable/schedule
 4. Inadequate awareness of development risk

Table 5.2: Disadvantages of “loose relationships” internal projects

Subject	Disadvantages to the internal customer	Disadvantages to the internal developer
(1) Inadequate definition of project requirements	<ul style="list-style-type: none"> ■ Implementation deviates from needed applications ■ Low satisfaction 	<ul style="list-style-type: none"> ■ Higher than average change requirements ■ Wasted resources due to introducing avoidable changes
(2) Poor estimate of required resources	<ul style="list-style-type: none"> ■ Unrealistic expectations about project feasibility 	<ul style="list-style-type: none"> ■ Substantial deviations from development budget ■ Friction between units induced by requirements for budget additions
(3) Poor timetable	<ul style="list-style-type: none"> ■ Missing scheduled dates for beginning distribution of new products 	<ul style="list-style-type: none"> ■ Development activities are under time pressures and tend to suffer from low quality ■ Late project completion causes delays in freeing staff for their next project
(4) Inadequate awareness of development risks	<ul style="list-style-type: none"> ■ Customer unprepared for project risks and their consequences 	<ul style="list-style-type: none"> ■ Tardy initiation of efforts to overcome difficulties

Contract review for internal project

- The chances of avoiding the mentioned potential problems can be done by do this step:
 - An adequate proposal for the internal project
 - Applying a proper contract review process for internal projects
 - An adequate agreement between the internal customer and the internal supplier.

Contract Review Subjects

- Contract review examine many subjects, and based on the contract review objectives.
- Checklists technique are useful for helping review teams to organize their work and cover all relevant subjects.